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CITY AND COUNTY OF SAN FRANCISCO

COUNTY OF SANTA CLARA

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

CITY AND COUNTY OF SAN FRANCISCO
and COUNTY OF SANTA CLARA,

Case No. 4:19-CV-04717 PJH

Plaintiffs,

**DECLARATION OF COUNTY OF
SANTA CLARA HOSPITALS AND
CLINICS CHIEF EXECUTIVE
OFFICER PAUL E. LORENZ IN
SUPPORT OF COUNTIES' MOTION
FOR PRELIMINARY INJUNCTION**

vs.

DEPARTMENT OF HOMELAND
SECURITY; U.S. CITIZENSHIP AND
IMMIGRATION SERVICES; KEVIN
McALEENEN, Acting Secretary of Homeland
Security; and KEN CUCCINELLI, in his
official capacity as Acting Director of U.S.
Citizenship and Immigration Services,

Hearing Date: October 2, 2019
Time: 9:00 am
Judge: Hon. Phyllis J. Hamilton
Place: Oakland Courthouse
Courtroom 3 - 3rd Floor
Trial Date: Not set

Defendants.

I, PAUL E. LORENZ, declare as follows:

1. I have personal knowledge of the facts set forth in this declaration. I am a resident of the State of California. I submit this declaration in support of the City and County of San Francisco and County of Santa Clara's Motion for Preliminary Injunction. If called as a witness, I could and

1 would testify competently to the matters set forth herein.

2 2. I am the Chief Executive Officer of the hospitals and clinics owned and operated by
3 the County of Santa Clara ("County"), which includes Santa Clara Valley Medical Center ("Valley
4 Medical Center"), O'Connor Hospital, and St. Louise Regional Hospital. I have held this position
5 since March 2019, and I have served as Chief Executive Officer of Valley Medical Center since
6 November 2012. Prior to my current role with the County of Santa Clara, I served as the Chief
7 Deputy Director of the Ventura County Health Care Agency for the County of Ventura. I have
8 served in public healthcare for over 27 years.

9 3. The County of Santa Clara has owned and operated Valley Medical Center for more
10 than one hundred years. On March 1, 2019, the County assumed ownership and operations of
11 O'Connor Hospital, St. Louise Regional Hospital, and the De Paul Health Center. Together, the
12 County's three hospitals have an annual operating budget of approximately \$2.5 billion dollars.

13 **A. Background on the County's Health System**

14 4. The County's Health System is a fully integrated and comprehensive public
15 healthcare delivery system that includes three hospitals and a network of clinics. This system
16 provides a full range of health services, including emergency and urgent care, ambulatory care,
17 behavioral health services, comprehensive adult and pediatric specialty services, the highest-level
18 neonatal intensive pediatric care unit, women's and reproductive health services, and other critical
19 and specialty healthcare services. Valley Medical Center, for example, includes an acute-care
20 hospital with 731 licensed beds, as well as numerous primary and specialty care clinics. In fiscal
21 year 2017, there were more than 800,000 outpatient visits to Valley Medical Center's primary care
22 clinics, express care clinics, specialty clinics, and emergency department, and over 120,000 days of
23 inpatient stays in the hospital. Valley Medical Center's hospital is a Level 1 Adult Trauma Center
24 and Level 2 Pediatric Trauma Center, capable of providing care to seriously injured patients. In
25 2018, Valley Medical Center's hospital had an average daily census of 363 patients admitted to
26 inpatient care and handled 3,087 births and 88,856 emergency department visits.

27 5. O'Connor Hospital, located in San José, provides emergency medical services, urgent
28 care services, primary care, hospital care, and reproductive-health services. O'Connor Hospital

operates a nationally recognized acute care hospital with 334 licensed acute beds and 24 licensed skilled nursing facility (SNF) beds. It handled an estimated 51,948 emergency visits, 4,311 surgical cases, and 1,631 births in 2018.

6. St. Louise Regional Hospital, located in the City of Gilroy, provides a wide range of high-quality inpatient and outpatient medical care. St. Louise Regional Hospital operates the only acute care hospital in the southern, rural part of the County, specializing in maternal child health services, emergency services, women's health, breast cancer care, imaging, surgical and specialty procedures, and wound care. The hospital operates 72 licensed, acute beds and 21 licensed skilled nursing facility (SNF) beds. Saint Louise Regional Hospital plays a critical health care and especially emergency care role in the southern region of the County, exemplified recently by the fact that Saint Louise treated scores of patients from the recent mass shooting as the Gilroy Garlic festival on July 28, 2019 that occurred just a few miles away from this hospital.

B. The Importance of Public Benefit Programs to the County's Health System

7. The County of Santa Clara Health System is the only public safety-net healthcare provider in Santa Clara County, and the second largest such provider in the State of California. The County's Health System provides the vast majority of the healthcare services available to low-income and underserved patients in the County. In fiscal year 2017, there were more than 800,000 outpatient visits to Valley Medical Center's primary care clinics, express care clinics, specialty clinics, and emergency department, and over 120,000 days of inpatient stays in the hospital. In fiscal year 2017, patients who were uninsured, or reliant on California's Medicaid program (Medi-Cal)¹ or Medicare, the federal insurance program for elderly and disabled individuals, were responsible for approximately 88% of outpatient visits (amounting to over 700,000 visits) and approximately 85% of inpatient days (amounting to over 100,000 inpatient days).

8. Generally, safety-net providers have a primary mission to care for the indigent population as well as individuals who are uninsured, underinsured, or covered by Medicaid, which is

¹ Medi-Cal is the name of the program by which California implements the Medicaid program in this state. To receive Medicaid services in California a person must enroll for Medi-Cal benefits.

1 the federal healthcare insurance program for low-income individuals. Because of this primary
 2 mission, safety-net providers are by their nature extremely dependent upon public benefit programs,
 3 such as Medicaid, that provide reimbursements for care provided to patients who lack other means to
 4 pay for healthcare.

5 9. The County's Health System is extremely dependent on Medicaid reimbursements. In
 6 fiscal year 2017, Valley Medical Center received hundreds of millions of dollars in Medicaid/Medi-
 7 Cal reimbursements. Overall, nearly two-thirds of the County's patients are Medi-Cal enrollees.
 8 For example, in Fiscal Year 2018, Medi-Cal enrollees constituted approximately 67 percent of
 9 Valley Medical Center's patient visits and around 59 percent of hospital patient days.

10 10. The County's Health System invested in primary care capacity and preventative care
 11 based on the County's expectation that its residents would enroll in the government benefits they
 12 need. It made substantial commitments—in physical infrastructure, electronic health record
 13 infrastructure, long-term budgeting, human capital, research, and much more. These programmatic
 14 investments changed how, where, and in what way the County's Health System operates every day.
 15 The County's commitments cannot be undone without tremendous cost, an intervening period of
 16 confusion and massive adjustment and, in the meantime and beyond, great harm to the health and
 17 wellbeing of our residents.

18 **C. County Residents Have Forgone or Disenrolled from Health Insurance and Health**
 19 **Benefits Because of the Rule**

20 11. I am generally familiar with the Department of Homeland Security's (DHS)
 21 rulemaking regarding Inadmissibility on Public Charge Grounds, including the proposed rule
 22 announced in September 2018 and the final rule published in August 2019. The County Health
 23 System has experienced drop-offs in enrollment and participation in public benefit and healthcare
 24 programs associated with this rulemaking.

25 12. In the months after DHS issued the proposed rule, data from the County Health
 26 System's Gilroy clinic has shown that participants in the County's Women, Infants, and Children
 27 program (WIC)—which provides food, nutrition education, and breastfeeding support to pregnant
 28 and breastfeeding women and their young children—were returning unused WIC vouchers. I

1 understand this to be due to fear of immigration-related consequences of the proposed rule, even
 2 though WIC is not implicated by the proposed or final rule. Some of these women—such as a
 3 malnourished pregnant mother with advanced anemia who returned her WIC vouchers in February
 4 2019—declined these services at great cost to their health and that of their babies. For months after
 5 the proposed rule was issued, many WIC participants refused to even answer phone calls from staff
 6 in the County’s WIC program.

7 13. Since the final rule was announced in August 2019, my staff report that still more
 8 women who need and qualify for WIC have declined it—including women such as a recent patient at
 9 a County clinic in Gilroy whose mental and physical health was deteriorating without basic food and
 10 nutrition, but who my staff understood to have declined WIC due to fear of the Rule. The Rule has
 11 also deterred pregnant women in the County from accessing non-emergency pregnancy-related
 12 services, including the critical prenatal care that protects the health of both mother and unborn child.

13 **D. The County Incurs Greater Costs When County Residents Forgo Health Insurance and**
 14 **Health Benefits**

15 14. The County bears substantial direct costs when County residents forgo or decline
 16 public health insurance and health benefits. The County is responsible for offering health care
 17 services to its poor uninsured and underinsured residents. The County’s emergency departments
 18 must screen and potentially stabilize or treat patients irrespective of their ability to pay for the
 19 emergency services they need.² The County must provide basic health services to its uninsured,
 20 indigent residents.³ And the County’s federally qualified health centers must serve all County
 21 residents, including patients who cannot afford the services they need and utilize.⁴

22 15. The County bears greater uncompensated care costs when it provides health care
 23 services to uninsured patients than it does when it provides the same services to patients insured by
 24 Medi-Cal or other health insurance plans. As a longtime administrator of public health systems, I
 25

26
 27 ² Emergency Medical Treatment and Active Labor Act (EMTALA), 42 U.S.C. § 1395dd.

28 ³ Cal. Welf. & Inst. Code § 17000.

⁴ Public Health Services Act, Section 330, 42 U.S.C. §§ 254b.

1 am familiar with research regarding the high cost of serving uninsured populations, and in my
 2 professional experience working in the public health and health care field for nearly thirty years, I
 3 am aware of literature showing that on average each newly uninsured patient increases hospital
 4 uncompensated care costs by approximately \$800 annually.⁵ Indeed, we have determined that each
 5 uninsured patient that accesses our emergency department services, on average costs us \$450 in
 6 uncompensated costs per visit. In fiscal year 2019, this added up to over \$2.5 million in
 7 uncompensated care costs in the emergency department.

8 16. Uninsured patients also utilize more expensive and less effective health care services
 9 than patients with Medi-Cal or other health insurance. Without access to the primary care,
 10 prescription drugs, and early diagnosis and treatment that health insurance and public benefits
 11 enable, County residents are more likely to fill the County's ambulances and public emergency
 12 rooms and to seek care later, when they are sicker and more costly to treat. Indeed, treatment in an
 13 emergency rather than primary care setting is generally an order of magnitude more expensive. And
 14 I am aware of literature, for example, stating that whereas a primary care visit costs between \$100
 15 and \$200 on average, an emergency room visit on average costs around \$2,000—and can be
 16 significantly more.⁶ The County bears massive, but avoidable, direct costs from the less effective,
 17 less timely, and more expensive care County residents seek when they lack health insurance
 18 coverage or health care benefits. Such unnecessary costs are multiplied across all our uninsured
 19 residents in each of their encounters with the County's safety-net Health System.

20 17. Following the 2014 expansion of Medi-Cal eligibility and a related rise in insurance
 21 rates related to the Affordable Care Act implementation, the County's Health System was able to
 22 pilot dramatic system improvements due to increased health insurance access. For instance, the
 23 County launched a chronic conditions care management program that decreased participants'
 24 emergency department visits by more than fourfold. These improvements helped ensure that

25
 26
 27 ⁵ See Craig Garthwaite, et al., *Hospitals as Insurers of Last Resort*, 10 Am. Econ. J.: Applied Econ. 1
 28 (2018).

1 patients were seen in more appropriate and cost-effective primary and preventive care settings, rather
 2 than very costly emergency settings. Attached as **Exhibit A** is a report documenting the benefits of
 3 expanding Medi-Cal coverage in our community.

4 18. The County cannot provide timely, less expensive, and more effective health care
 5 services to residents who are afraid to seek government-funded care. And the County's ability to
 6 pay for system improvements is undercut when it receives lower reimbursements for providing more
 7 expensive and less effective services to County residents who forgo health insurance and health
 8 benefits for non-emergency care.

9 **E. Programmatic and Administrative Costs of Disenrollment on the County.**

10 19. Because of the importance of our patients enrolling in Medi-Cal, our Patient Benefits
 11 Services Department assists patients with Medi-Cal enrollment. Were patients to disenroll or forgo
 12 Medi-Cal, it would put strain on our resources as we would seek to help and encourage eligible
 13 persons to enroll or reenroll in Medi-Cal, to the extent enrollment would not result in other negative
 14 consequences for the patient. Already, the County's Health System has invested over 270 staff
 15 hours in education and assessments responding to the rule.

16 20. The County has allocated its budgets, employed and trained staff, and structured its
 17 health programs (including its federal and state funding utilization) based on the core expectation
 18 that County residents will enroll in the benefits that they are eligible for and need.

19 21. The County's Health System cannot simply redeploy the social workers in its clinics
 20 to provide the medical care in its emergency departments if patients shift from federally funded
 21 primary care to accessing emergency department.

22 22. Similarly, the County's Health System can neither undo its fiscal commitments nor
 23 redo its budget to swiftly or effectively respond to significant drop-offs in enrollment in federal
 24 benefits. The highly regulated, non-fungible health funding that the County's health-system receives
 25 and relies on has already been obligated and cannot be redeployed. The Health System's funding
 26 streams—which are often highly negotiated, multi-year, multi-entity obligations—cannot be

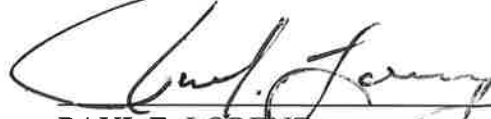
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1 unwound without great cost.

2 I declare under penalty of perjury under the laws of the United States that the foregoing is
3 true and correct and that this declaration was executed on August 27, 2019 in San José, California.
4

5 Respectfully submitted,

6 
7 PAUL E. LORENZ
8

9 2071471

EXHIBIT A

IMPACT OF MEDI-CAL EXPANSION: SANTA CLARA VALLEY HEALTH & HOSPITAL SYSTEM

What has coverage expansion meant to SCVHHS?

Fewer Uninsured Patients: In Santa Clara County, Medi-Cal expansion and Covered California have reduced the uninsured rate **from 10.9% to 4.9%** for Santa Clara County residents. Santa Clara Valley Medical Center: Hospital and Clinics is the primary care provider to more than **68,000 people** who have gained coverage through Medi-Cal since 2014.

Higher Value Care: The expansion of Medi-Cal has created a more stable coverage landscape, which has enabled Santa Clara Valley Health & Hospital System to **focus investments** on better care coordination, increased access, and improved health outcomes for patients.

Santa Clara Valley Medical Center: Hospital and Clinics (SCVMC) was able to undertake efforts to expand its primary care capacity, strengthen its technology infrastructure, and better manage its patient population. SCVMC increased its primary care paneled capacity by **20%** between November 2013 and February 2017, and decreased wait times for primary care appointments from 53 days to **less than 48 hours** with the implementation of urgent care and same day appointment availability throughout its Ambulatory Care clinics. SCVMC also developed a program to provide care management support for patients with chronic conditions, which resulted in **more than four times fewer emergency department visits** among program participants.

These improvements help ensure that patients can be seen in more appropriate and cost-effective primary and preventive care settings, rather than in very costly emergency settings.

What happens to Santa Clara County if coverage expansion is repealed?

More Uninsured: An estimated **187,000 individuals** would lose coverage through Medi-Cal or Covered California in Santa Clara County.

Economic Impact: A repeal of the Medi-Cal expansion could result in Santa Clara Valley Health & Hospital System losing over **\$250 million** in revenue every year.

We urge that any action to repeal the Affordable Care Act preserve the Medicaid expansion and be coupled with an adequate, simultaneous replacement that ensures the same level of coverage and quality of benefits.

A repeal of the Medi-Cal expansion could result in SCVHHS losing over **\$250 million in revenue every year.**

A dramatic increase in the number of uninsured, coupled with a loss of funding, could destabilize Santa Clara County's health care delivery system.



What happens to California if coverage expansion is repealed?

More Uninsured: CA's uninsured rate is expected to double, to **over 17%**.

Economic Impact: The state estimates a **\$16 billion loss** in federal revenue with the repeal of the Medicaid expansion and **another \$5 billion** with the elimination of tax subsidies for enrollees in Covered California.

Job Loss: An estimated **200,000 Californians** could lose their jobs, with most losses projected in health care.

ABOUT SANTA CLARA VALLEY HEALTH & HOSPITAL SYSTEM

Santa Clara Valley Health & Hospital System (SCVHHS) is Santa Clara County's public health care system, and SCVMC is at the heart of the county's health care safety net, providing inpatient, emergency, primary, and specialty care.

SCVMC's **574 bed hospital** delivers nearly **25,000 admissions** annually and its ED and county-wide health centers provide nearly **800,000 outpatient visits** annually.

Santa Clara Valley Health & Hospital System is one of the largest employers in the county, providing **more than 7,500 jobs**.